

CITY OF DYSART, IOWA
INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2014

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City of Dysart

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Pam Thiele	Mayor	January 2016
Tom Brandt	Council Member	January 2018
Bret Hennessy	Council Member	January 2018
Tim Glenn	Council Member	January 2018
Don Zeien	Council Member	January 2016
Mary Wankowicz	Council Member	January 2016
Roxanne Schneider	City Clerk	indefinite
Tabby Kaiser	Deputy City Clerk	indefinite
Corey Lorenzen	City Attorney	indefinite

City of Dysart



James R. Ridihalgh, C.P.A.
Gene L. Fuelling, C.P.A.
Donald A. Snitker, C.P.A.
Jeremy P. Lockard, C.P.A.

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted the audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart as of June 30, 2014, and the respective changes in cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

Other Matters

Supplementary and Other Information

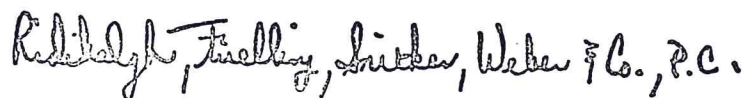
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dysart's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the four years ended June 30, 2013 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 8 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis and the budgetary comparison information on pages 6 through 14 and page 29 through 31 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Require by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 11, 2015 on our consideration of the City of Dysart's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Dysart's internal control over financial reporting and compliance.



Ridi Halgh Fuelling Snitker Weber & Co., P.C.

February 11, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Dysart provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2014. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- Revenues of the City's governmental activities decreased significantly from fiscal year 2013 to fiscal year 2014. Total governmental revenues (excluding transfers) were \$2,323,802 in FY13, and \$1,523,761 in FY14. The decrease can be attributed to the issuance of \$1,320,000 in general obligation bonds during FY13. Property tax revenues increased approximately \$24,000, while TIF revenues decreased, from \$85,072 in fiscal year 2013, to \$71,864 in fiscal year 2014.
- Governmental disbursements increased approximately \$500,000 from fiscal year 2013 to fiscal year 2014. Capital project expenses increased by \$596,340. This was due to the completion of the Talmage Street Project and the Sherman Street Storm Sewer Project. Public Safety disbursements increased significantly, from \$344,976 in FY13, to \$633,468 in FY14. The increase can primarily be attributed to the purchase of a new fire truck. Expenses and revenues for Dysart Fire Fighter's Inc. are also included in these total. The Fire Fighter's contributed funds towards the purchase of the new fire truck, along with the Dysart Rural Fire Association. Public works expenditures increased approximately \$26,000, Culture & Recreation expenses increased approximately \$20,000, and Community & Economic Development expenses held steady. General government expenses showed an increase from \$56,963 to \$61,585. Debt Service expenses decreased significantly, from \$985,504 in FY13 to \$289,233 in FY14. This was due to the refunding of the 2003 Aquatic Center General Obligation Bond Issue in the prior fiscal year. Business type expenses (excluding transfers) dropped slightly, from \$1,684,596 in FY13 to \$1,581,536 in FY14.
- The City's total cash basis net position decreased by approximately \$550,000 from June 30, 2013 to June 30, 2014. This was due to the completion of capital projects and the use of bond proceeds from the previous fiscal year.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net position is divided into two kinds of activities:

- Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the Water Fund, Sanitary Sewer Fund, Electric Fund and Garbage Service Fund. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Garbage and Electric Funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased during FY 14, decreasing from \$2,027,776 to \$1,501,815. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net position of Governmental Activities		
	Year ended June 30,	
	2014	2013
Receipts & transfers:		
Program Receipts:		
Charges for service	\$200,212	\$127,567
Capital grants, contributions and restricted interest	408	0
Operating grants, contributions and restricted interest	398,749	152,583
General Receipts:		
Property Tax	466,300	442,134
Local option sales tax	86,433	89,858
TIF Revenues	71,864	85,072
Other city tax	1,210	1,918
Unrestricted investment earnings	2,901	11,574
Bond proceeds	0	1,310,100
Other general receipts	283,547	100,510
Special Assessments	12,137	2,487
Net Transfers in (out)	<u>300,000</u>	<u>54,996</u>
Total receipts & transfers	1,823,761	2,378,799
Disbursements:		
Public Safety	633,468	344,976
Public Works	102,646	76,714
Health and social services	0	0
Culture and recreation	226,894	207,549
Community & economic development	14,736	15,405
General government	61,585	56,963
Debt Service	289,233	985,504
Capital projects	763,466	167,126
Other financing uses/transfers out	<u>257,694</u>	
Total disbursements	2,349,722	1,854,237
Increase (decrease) in cash basis net position	(525,961)	524,562
Cash basis assets beginning of year	2,027,776	1,503,214
Cash basis assets end of year	<u>\$1,501,815</u>	2,027,776
Includes Dysart Fire Fighters Inc. Balance of \$62,048		

The City's total receipts for governmental activities, excluding net transfers in, decreased by approximately \$800,000, from \$2,323,803 to \$1,523,761. The City issued general obligation bonds in FY13, which accounts for the change in revenues. Expenditures showed an increase due to the completion of capital projects financed by the general obligation bond issue.

Property tax rates for increased slightly in fiscal year 2014, at a rate of \$12.83036/\$1000, as compared to a rate of \$12.6154/1000 in fiscal year 2013. Overall property tax revenues were slightly higher, increasing \$24,166, from \$442,134 to \$466,300. TIF revenues decreased from \$85,072 during FY13 to \$71,864 during FY14. Local option sales and other city tax revenues held steady at \$87,884 during fiscal year 2014, compared to \$89,858 received in fiscal year 2013. Local option sales tax revenues are used to service the aquatic center debt.

There were several changes in the governmental program expenses also. Public Safety expenses increased due to the purchase of a new fire truck. Public Works and Culture & Recreation program areas showed increases in spending, while Community & Economic Development showed a slight decrease. General Government showed an increase in spending, from \$56,963 in FY13 to \$61,585 in FY14. Debt Service showed a significant decrease, from \$985,504 in FY13 to \$289,233 in FY14. Again, this was due to the refunding of the 2003 Aquatic Center General Obligation Bonds during FY13. Capital Projects showed a significant increase, from \$167,126 in FY13 to \$763,466 in FY14. This was due to the Talmage Street Improvement Project, as well as the Sherman Street Storm Sewer Improvement Project.

Changes in Cash Basis Net position of Business Type Activities		
	Year ended June 30,	
	2014	2013
Receipts & transfers:		
Program Receipts:		
Charges for service		
Water	\$ 299,675	\$ 307,248
Sewer	87,139	87,835
Electric	1,228,212	1,231,863
Garbage	194,589	195,216
Capital grants, contributions and restricted interest	17,210	10,000
General Receipts:		
Unrestricted investment earnings	4,769	7,201
Bond proceeds	0	0
Other general receipts	0	15,949
Transfers in	0	0
Total receipts & transfers	1,831,594	1,855,312
Disbursements:		
Water	296,217	280,399
Sewer	111,973	104,555
Electric	961,463	1,088,630
Garbage	211,883	211,012
Debt Service	0	73,300
Transfers out	300,000	54,996
Total disbursements & transfers	1,881,536	1,812,892
Increase (decrease) in cash basis net position	(49,942)	42,420
Cash basis assets beginning of year	1,536,800	1,494,380
Cash basis assets end of year	<u>\$1,486,858</u>	<u>\$1,536,800</u>

Total business type activities receipts and transfers in for the fiscal year decreased approximately \$24,000 from the previous year, coming in at \$1.83 million compared to \$1.85 million last year. Utility revenues decreased slightly across the board. Disbursements in both the Water and Sewer funds increased slightly due to ongoing maintenance. Disbursements in the Electric Fund decreased, due to the purchase of a bucket truck in the previous fiscal year. Expenditures in the Garbage Fund held steady.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Dysart completed the year, its governmental funds reported a combined fund balance of \$1,501,815, a significant decrease from last year's total of \$2,027,776. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$186,339 from the prior year to \$856,373. This was primarily due to the purchase of a new fire truck, as well as beginning improvements to the Community Building.
- The Capital Projects Talmage Street Fund was established in FY13 this year for a street construction program. In FY13, the City issued \$560,000 in General Obligation Bonds to finance these improvements. This project was completed during FY14, and the fund was closed out in June, 2014.
- The City also established the Storm Sewer 2013 capital projects fund during the fiscal year. The City used cash reserves to finance this project. It was substantially complete at the end of FY14, with final payment of retainage made in December, 2014.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Water Fund cash balance increased by \$3,756 to \$124,009. The City continues to build cash reserves for future water main replacement projects.
- The Electric Fund cash balance decreased by approximately \$12,000 to \$1,132,258. During the fiscal year, \$300,000 was transferred to a capital projects fund, which caused a decrease. The fund would have seen a significant increase without that transfer.
- The Garbage Fund cash balance decreased by about \$17,000 to \$130,509. Landfill fees increased on 7/1/13, and those increases were absorbed by the City for the fiscal year. Garbage rates were increased with the billing due 7/15/14, to cover those increased costs.

BUDGETARY HIGHLIGHTS

The City amended its budget twice during the fiscal year, on October 9, 2013, and March 12, 2014. The first amendment was necessary to allow for the purchase of a new fire truck in the amount of \$224,000, and for the 2013 Sherman Street Storm Sewer Project in the amount of \$300,000. The second amendment was to account for increased expenditures in the Tree Board and Beautification Funds, as well as general maintenance and improvement items for the Community Building, and the implementation of the Community Building/Park Pavilion Capital Project.

DEBT ADMINISTRATION

On June 30, 2014, the City had \$2,215,000 in bonds and other long-term debt, compared to \$2,440,000 last year, as shown below.

Outstanding Debt at Year-End		
	Year ended June 30,	
	2014	2013
General obligation bonds & notes	2,215,000	2,440,000
Total	<u>\$2,215,000</u>	<u>\$2,440,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's constitutional debt limit is \$3,256,686. With outstanding general obligation debt of \$2,215,000, the city was using approximately 68% of its constitutional debt limit at fiscal year end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Dysart's elected and appointed officials and citizens considered many factors when setting the fiscal year 2015 budget, tax rates, and fees that will be charged for various City activities.

Budgets for various departments have remained fairly consistent with past years. The property tax rate for fiscal year 2015 will increase to \$12.97748/\$1000 in valuation, compared to \$12.83036/\$1000 in fiscal year 2014. As previously stated, garbage rates were increased to cover increased tipping fees at the landfill.

The City recently awarded a contract for water main and street improvements along Clark Street, between State and Liberty Streets, and including work along Grant Street from Wilson to Clark. The construction cost is \$278,971, and work will begin in spring 2015. In addition, they will be opening bids and awarding a contract for sanitary sewer improvements at an estimated cost of \$50,000.

The City is set to begin major renovations and upgrades to the Dysart Community Building, as well as construction of a Park Pavilion/Band Shell in the City Park. The Community Building project contract was awarded in January, 2015 at a construction cost of \$685,000, and the Park Pavilion Project will be let in the spring. The City of Dysart has committed 50% of the total project cost of \$880,000. The City also conducted a capital campaign for the project, and surpassed the goal of \$176,000. Grant funds have been approved from the Vision Iowa CAT program, Mansfield Trust, McElroy Trust, Black Hawk County Gaming, and both the Tama County and Dysart Community Foundations. Construction will begin in early February, 2015, with a completion date of September 1, 2015.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Roxanne L. Schneider, City Clerk, 601 Wilson Street, PO Box 686, Dysart, Iowa. Phone #319-476-5690.

Basic Financial Statements

City of Dysart

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2014

Functions / Programs:	Disbursements	Program Receipts		
		Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Governmental activities:				
Public safety	\$ 633,468	92,836	39,363	-
Public works	102,646	-	137,698	-
Health and social services	-	-	-	-
Culture and recreation	226,894	32,585	158,841	185
Community and economic developme	14,736	13,161	-	160
General government	61,585	61,630	88,598	31
Debt service	289,233	-	-	-
Capital projects	763,466	-	-	32
Total governmental activities	2,092,028	200,212	424,500	408
Business type activities:				
Water	296,217	299,675	-	-
Electric	961,463	1,228,212	17,210	-
Garbage	211,883	194,589	-	-
Sewer	111,973	87,139	-	-
Total business type activities	1,581,536	1,809,615	17,210	-
Total	\$ 3,673,564	2,009,827	441,710	408

General Receipts:

Property tax levied for:
 General purposes
 Tax increment financing
 Debt service
 Local option sales tax
 Other city tax
 Unrestricted interest on investments
 Miscellaneous
 Transfers

Total general receipts and transfers

Change in cash basis net position

Cash basis net position beginning of year

Cash basis net position end of year

Cash Basis Net Position

Restricted:
 Expendable:
 Debt service
 Other purposes
 Unrestricted

Total cash basis net position

See notes to financial statements

Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business Type Activities	Total
(501,269)	-	(501,269)
35,052	-	35,052
-	-	-
(35,283)	-	(35,283)
(1,415)	-	(1,415)
88,674	-	88,674
(289,233)	-	(289,233)
(763,434)	-	(763,434)
(1,466,908)	-	(1,466,908)
-	3,458	3,458
-	283,959	283,959
-	(17,294)	(17,294)
-	(24,834)	(24,834)
-	245,289	245,289
(1,466,908)	245,289	(1,221,619)
385,274	-	385,274
71,864	-	71,864
81,268	-	81,268
86,433	-	86,433
1,210	-	1,210
2,638	4,769	7,407
12,260	-	12,260
300,000	(300,000)	-
940,947	(295,231)	645,716
(525,961)	(49,942)	(575,903)
2,027,776	1,536,800	3,564,576
\$ 1,501,815	1,486,858	2,988,673
\$ 123,497	93	123,590
362,226	-	362,226
1,016,092	1,486,765	2,502,857
\$ 1,501,815	1,486,858	2,988,673

City of Dysart

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2014

	Capital Project			Other Nonmajor Governmental Funds	Total
	General	Talmage Street	Storm Sewer 2013		
Receipts:					
Property tax	\$ 324,398	-	-	141,902	466,300
Tax increment financing collections	-	-	-	71,864	71,864
Other city tax	1,019	-	-	86,865	87,884
Licenses and permits	4,376	-	-	-	4,376
Use of money and property	8,046	159	32	1,266	9,503
Intergovernmental	11,503	-	-	145,198	156,701
Charges for service	122,914	-	-	2,695	125,609
Special assessments	-	-	-	12,137	12,137
Miscellaneous	157,747	-	-	167,945	325,692
Total receipts	630,003	159	32	629,872	1,260,066
Disbursements:					
Operating:					
Public safety	578,815	-	-	54,653	633,468
Public works	1,395	-	-	101,251	102,646
Health and social services	-	-	-	-	-
Culture and recreation	226,894	-	-	-	226,894
Community and economic development	14,736	-	-	-	14,736
General government	61,585	-	-	-	61,585
Debt service	-	-	-	289,233	289,233
Capital projects	-	399,710	295,563	68,193	763,466
Total disbursements	883,425	399,710	295,563	513,330	2,092,028
Excess (deficiency) of receipts over (under) disbursements	(253,422)	(399,551)	(295,531)	116,542	(831,962)
Other financing sources (uses):					
Miscellaneous	6,001	-	-	-	6,001
Operating transfers in/(out)	61,082	(27,492)	300,000	(33,590)	300,000
Total other financing sources (uses)	67,083	(27,492)	300,000	(33,590)	306,001
Net change in cash balances	(186,339)	(427,043)	4,469	82,952	(525,961)
Cash balances beginning of year	1,042,712	427,043	-	558,021	2,027,776
Cash balances end of year	\$ 856,373	-	4,469	640,973	1,501,815
Cash Basis Fund Balances					
Restricted for:					
Debt service	\$ -	-	-	123,497	123,497
Other purposes	-	-	-	362,226	362,226
Committed for capital purchases	-	-	4,469	142,255	146,724
Assigned	-	-	-	12,995	12,995
Unassigned	856,373	-	-	-	856,373
Total cash basis fund balances	\$ 856,373	-	4,469	640,973	1,501,815

City of Dysart

Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2014

	Enterprise Funds				Total
	Water	Electric	Garbage	Other Nonmajor Proprietary Funds	
Operating receipts:					
Use of money and property	\$ 298	3,799	329	344	4,770
Charges for service	298,510	1,221,841	194,589	87,139	1,802,079
Miscellaneous	1,165	23,580	-	-	24,745
Total operating receipts	299,973	1,249,220	194,918	87,483	1,831,594
Operating disbursements:					
Business type activities	296,217	961,463	211,883	111,973	1,581,536
Total operating disbursements	296,217	961,463	211,883	111,973	1,581,536
Excess (deficiency) of operating receipts over (under) operating disbursements	3,756	287,757	(16,965)	(24,490)	250,058
Non-operating receipts (disbursements):					
Miscellaneous	-	-	-	-	-
Debt service	-	-	-	-	-
Total non-operating receipts (disbursements)	-	-	-	-	-
Excess (deficiency) of receipts over (under) disbursements	3,756	287,757	(16,965)	(24,490)	250,058
Operating transfers in/(out)	-	(300,000)	-	-	(300,000)
Net change in cash balances	3,756	(12,243)	(16,965)	(24,490)	(49,942)
Cash balances beginning of year	120,253	1,144,501	147,474	124,572	1,536,800
Cash balances end of year	\$ 124,009	1,132,258	130,509	100,082	1,486,858
Cash Basis Fund Balances					
Restricted for other purposes	\$ -	-	-	93	93
Unassigned	124,009	1,132,258	130,509	99,989	1,486,765
Total cash basis fund balances	\$ 124,009	1,132,258	130,509	100,082	1,486,858

See notes to financial statements

City of Dysart

Notes to Financial Statements

June 30, 2014

(1) Summary of Significant Accounting Policies

The City of Dysart is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer, electric, and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Dysart has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Dysart (the primary government), and the following component unit: Dysart Fire Fighters, Incorporated. This component unit is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

Dysart Fire Fighters, Incorporated (Corporation) is legally separate from the City but is so intertwined with the City it is, in substance, the same as the City. It is reported as part of the City and blended into the Special Revenue Funds. Although the Corporation is legally separate from the City, its purposes and objectives are to benefit the City of Dysart by providing assistance to the City in execution and performance of responsibilities to the citizens of Dysart and vicinity with regard to the study and advancement of the science of fire prevention, protection and suppression, and general emergency response and to conduct civic and social services, charitable and fundraising activities which support the City.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Sheriff's Department, Tama County Economic Development Commission, Dysart Rural Fire Agency, Inc., Poweshiek Water Association, Resale Power Group of Iowa (RPGI), Tama County Emergency Communications Network, Inc. (CodeRED), and Tama County Solid Waste Disposal Commission.

B. Basis of Presentation

Government-wide Financial Statements - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position consists of cash balances not meeting the definition of the preceding category. Unrestricted net position often have constraints on cash balances imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

The Capital Project—Talmage Street Project Fund is utilized to account for bond receipts to be used for, and the payment of, project expenditures related to the Talmage Street improvement project.

The Capital Project—Storm Sewer Project 2013 Fund is utilized to account for bond receipts to be used for, and the payment of, project expenditures related to the 2013 Storm Sewer improvement project.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation and maintenance of the City's water utility system.

The Electric Fund accounts for the operation and maintenance of the City's electric utility system.

The Garbage Fund accounts for the garbage collection services contracted by the City.

C. Measurement Focus and Basis of Accounting

The City of Dysart maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there is both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts only available to be used for specific purposes determined by a formal action by Council ordinance or resolution.

Assigned – Amounts the Council intends to use for specific purposes but are neither restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted.

(2) **Cash and Pooled Investments**

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2014, the City had the following investments:

Type	Carrying Amount	Fair Value	Maturity
Certificates of deposit	<u>\$ 763,305</u>	<u>\$ 763,305</u>	Various

Interest rate risk - The City's investment policy limits the investment of operating funds, those funds which are expected to be expended in the current budget year or within 15 months of receipt, to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

The City maintains funds in a Sweep Manager Account Program with Security State Bank. The Bank transfers funds out of the City's bank account once it meets or exceeds the "target balance" and places them into retail repurchase agreement, or "Repo". The target balance changes from month to month and is based on the previous month's disbursements, average daily balance, etc. The Repos evidence a borrowing to be collateralized by securities, which are held by a third-party custodian. Amounts swept from the bank account into Repos will earn interest rates that are determined by the Bank daily. During the year ended June 30, 2014, the target balance varied from \$63,000 to \$278,000.

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for bonds and notes are as follows:

Year Ending June 30,	General Obligation Bonds	
	Principal	Interest
2015	\$ 235,000	55,790
2016	240,000	51,573
2017	245,000	46,900
2018	250,000	41,713
2019	255,000	36,015
2020-2024	820,000	93,330
2025-2028	170,000	10,223
Total	<u>\$ 2,215,000</u>	<u>335,544</u>

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012 were \$37,804, \$34,797, and \$32,227, respectively, equal to the required contributions for each year.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer benefit plan which provides medical/prescription drug benefits for active employees and their families. Retired employees are eligible to participate at their own expense and must be age 55 or older at retirement. There are 7 active and no retired members in the plan.

The medical/prescription drug benefits are provided through a partially self-insured plan with Wellmark Blue Cross/Blue Shield. Retirees under age 65 pay the full cost of the premium for the medical/prescription drug benefits. The City's deductibles for the plan are \$3,000 for single and \$6,000 for family and it self funds half of the deductible, or \$1,500 for single and \$3,000 for family, for each participant. A third party administrator, Advantage Administrators, coordinates the self funded portion of the plan.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The most recent active member monthly premiums paid for by the City are \$673 for single coverage and \$1,682 for family coverage. For the year ended June 30, 2014, the City contributed \$86,374 and plan members eligible for benefits contributed \$15,531 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours based on the length of their employment. Vacation leave is for subsequent use or for payment upon termination, retirement or death. Unused sick leave is forfeited upon termination, retirement, or death. The accumulation of vacation leave is not recognized as a disbursement by the City until used or paid. The City's approximate liability for earned vacation termination payments payable to employees at June 30, 2014 was \$15,760. This liability has been computed based on rates of pay in effect at June 30, 2014.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue: Employee Benefits	\$ 61,082
Debt Service:		
2006 Infrastructure Debt	Special Revenue: Tax Increment Financing	47,733
	Debt Service: Debt Service Levy	39,442
2010 Infrastructure Debt	Special Revenue: Tax Increment Financing	18,500
	Debt Service: Debt Service Levy	20,690
2013 Talmage/Pool Debt	Special Revenue: Tax Increment Financing	17,770
	Local Option Sales Tax	85,117
	Capital Project: Talmage Project	27,492
	Debt Service: Debt Service Levy	20,981
Capital Project: Storm Sewer Project	Enterprise: Electric	300,000
Total		<u>\$ 638,807</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Related Party Transactions

The City had business transactions between the City and City officials during the year ended June 30, 2014 totaling \$1,559.

(9) Commitments

In March 1994, the City agreed to pay the Medicare and drug supplement for a retired City employee. The cost to the City for the year ended June 30, 2014 was \$3,847.

Under a wholesale power agreement, the City is committed to purchase its electric power and energy requirements from Resale Power Group of Iowa through December 2014. The agreement automatically renews each calendar year. The rates for such purchases are subject to review annually.

Under a water purchase contract, the City is committed to the purchase of bulk water from Poweshiek Water Association through 2038. The rates for such purchases are subject to review annually.

The City participates in a 28E organization with Tama County and other cities within Tama County. This organization is the Tama County Solid Waste Disposal Commission. The estimated costs of closure and post closure care as of March 31, 2013, the most recent date for which such information is available, is approximately \$1,835,800. The Commission has accumulated resources to fund these costs and, at June 30, 2013, assets of \$2,035,800 are restricted for these purposes. Current figures were not able to be obtained prior to issuing the financial statements for the fiscal year ending June 30, 2014

The City had one outstanding capital project as of June 30, 2014. The 2013 Storm Sewer Improvements Project was substantially complete, with final retainage of \$31,196 remaining to be paid on the contract.

(10) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(11) Litigation

As a member of the Resale Power Group of Iowa, the City of Dysart is currently a party to litigation of Central Iowa Power Cooperative (CIPCO), v. RPI, City of Dysart, and all other member utilities. All parties have agreed to a settlement, which is pending approval of the Federal Energy Regulatory Commission. Once FERC approval has been granted, the City of Dysart will be responsible for a monthly payment of \$364.75 for a period of 5 years. At that point, all claims will be considered settled.

(12) Subsequent Events

In October 2014 the City purchased a new ambulance at a cost of \$146,497.

In January 2015 the City approved a contract for Community Building renovations in the amount of \$685,000

In February 2015 the City approved a contract for a water main project in the amount of \$278,971.

(13) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for the state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

Other Information

City of Dysart
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) - All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2014

	Governmental Funds Actual	Proprietary Funds Actual	Less Funds not Required to be Budgeted
Receipts:			
Property tax	\$ 466,300	-	-
Tax increment financing collections	71,864	-	-
Other city tax	87,884	-	-
Licenses and permits	4,376	-	-
Use of money and property	9,503	4,770	263
Intergovernmental	156,701	-	-
Charges for service	125,609	1,802,079	2,695
Special assessments	12,137	-	-
Miscellaneous	325,692	24,745	25,488
Total receipts	<u>1,260,066</u>	<u>1,831,594</u>	<u>28,446</u>
Disbursements:			
Public safety	633,468	-	54,653
Public works	102,646	-	-
Health and social services	-	-	-
Culture and recreation	226,894	-	-
Community and economic development	14,736	-	-
General government	61,585	-	-
Debt service	289,233	-	-
Capital projects	763,466	-	-
Business type activities	-	1,581,536	-
Total disbursements	<u>2,092,028</u>	<u>1,581,536</u>	<u>54,653</u>
Excess (deficiency) of receipts over (under) disbursements	(831,962)	250,058	(26,207)
Other financing sources (uses), net	<u>306,001</u>	<u>(300,000)</u>	<u>-</u>
Excess of receipts and other financing sources over disbursements and other financing uses	(525,961)	(49,942)	(26,207)
Balances beginning of year	<u>2,027,776</u>	<u>1,536,800</u>	<u>88,255</u>
Balances end of year	<u>\$1,501,815</u>	<u>1,486,858</u>	<u>62,048</u>

See accompanying independent auditor's report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
466,300	463,535	463,535	2,765
71,864	72,003	72,003	(139)
87,884	114,788	114,778	(26,894)
4,376	3,450	3,450	926
14,010	14,500	14,500	(490)
156,701	140,684	140,684	16,017
1,924,993	2,023,650	2,023,650	(98,657)
12,137	3,000	3,000	9,137
324,949	62,300	274,300	50,649
3,063,214	2,897,910	3,109,900	(46,686)
578,815	375,000	599,000	20,185
102,646	134,850	134,850	32,204
-	-	-	-
226,894	207,002	227,002	108
14,736	11,500	23,500	8,764
61,585	72,550	72,550	10,965
289,233	300,827	300,827	11,594
763,466	500,000	900,000	136,534
1,581,536	1,795,000	1,795,000	213,464
3,618,911	3,396,729	4,052,729	433,818
(555,697)	(498,819)	(942,829)	387,132
6,001	1,000	1,000	5,001
(549,696)	(497,819)	(941,829)	392,133
3,476,321	3,080,058	3,476,321	-
2,926,625	2,582,239	2,534,492	392,133

City of Dysart

Notes to Other Information – Budgetary Reporting

June 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, the Debt Service Fund, Capital Projects Funds, and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$656,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements did not exceed the amounts budgeted prior to amendment

Supplementary Information

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Summary

As of and for the year ended June 30, 2014

	Special Revenue	Debt Service	Capital Projects	Total
Receipts:				
Property tax	\$ 60,875	81,027	-	141,902
Tax increment financing	71,864	-	-	71,864
Other city tax	86,624	241	-	86,865
Licenses and permits	-	-	-	-
Use of money and property	727	285	254	1,266
Intergovernmental	137,698	-	7,500	145,198
Charges for services	2,695	-	-	2,695
Special assessments	-	12,137	-	12,137
Miscellaneous	25,488	-	142,457	167,945
Total receipts	385,971	93,690	150,211	629,872
Disbursements:				
Operating:				
Public safety	54,653	-	-	54,653
Public works	101,251	-	-	101,251
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt Service	-	289,233	-	289,233
Capital projects	-	-	68,193	68,193
Total disbursements	155,904	289,233	68,193	513,330
Excess (deficiency) of receipts over (under) disbursements	230,067	(195,543)	82,018	116,542
Other financing sources:				
Operating transfers in/(out)	(230,202)	196,612	-	(33,590)
Loan proceeds	-	-	-	-
	(230,202)	196,612	-	(33,590)
Net change in cash balances	(135)	1,069	82,018	82,952
Cash balances beginning of year	362,361	122,428	73,232	558,021
Cash balances end of year	\$ 362,226	123,497	155,250	640,973
Cash Basis Fund Balances				
Restricted for:				
Debt service	\$ -	123,497	-	123,497
Other purposes	362,226	-	-	362,226
Committed for capital purchases	-	-	142,255	142,255
Assigned	-	-	12,995	12,995
Total cash basis fund balances	\$ 362,226	123,497	155,250	640,973

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Special Revenue Funds

As of and for the year ended June 30, 2014

	Road Use	Employee Benefits	Local Option Sales Tax	Tax Increment Financing	Low to Moderate Income Housing	Dysart Fire Fighters, Inc.	Total
Receipts:							
Property tax	\$ -	60,875	-	-	-	-	60,875
Tax increment financing	-	-	-	71,864	-	-	71,864
Other city tax	-	191	86,433	-	-	-	86,624
Licenses and permits	-	-	-	-	-	-	-
Use of money and property	-	16	319	56	73	263	727
Intergovernmental	137,698	-	-	-	-	-	137,698
Charges for services	-	-	-	-	-	2,695	2,695
Special assessments	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	25,488	25,488
Total receipts	137,698	61,082	86,752	71,920	73	28,446	385,971
Disbursements:							
Operating:							
Public safety	-	-	-	-	-	54,653	54,653
Public works	101,251	-	-	-	-	-	101,251
Health and social services	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Community and economic developme	-	-	-	-	-	-	-
General government	-	-	-	-	-	-	-
Debt Service	-	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-	-
Total disbursements	101,251	-	-	-	-	54,653	155,904
Excess (deficiency) of receipts over (under) disbursements	36,447	61,082	86,752	71,920	73	(26,207)	230,067
Other financing sources:							
Operating transfers in/(out)	-	(61,082)	(85,117)	(84,003)	-	-	(230,202)
Loan proceeds	-	-	-	-	-	-	-
	-	(61,082)	(85,117)	(84,003)	-	-	(230,202)
Net change in cash balances	36,447	-	1,635	(12,083)	73	(26,207)	(135)
Cash balances beginning of year	88,770	-	143,948	12,396	28,992	88,255	362,361
Cash balances end of year	\$ 125,217	-	145,583	313	29,065	62,048	362,226
Cash Basis Fund Balances							
Restricted for other purposes	\$ 125,217	-	145,583	313	29,065	62,048	362,226
Total cash basis fund balances	\$ 125,217	-	145,583	313	29,065	62,048	362,226

See accompanying independent auditor's report

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Debt Service Funds

As of and for the year ended June 30, 2014

	Debt Service Levy	2006 Infrastructure Debt	2010 Infrastructure Debt	2013 Talmage/ Pool	Total
Receipts:					
Property tax	\$ 81,027	-	-	-	81,027
Tax increment financing	-	-	-	-	-
Other city tax	241	-	-	-	241
Licenses and permits	-	-	-	-	-
Use of money and property	64	79	108	34	285
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Special assessments	-	1,337	-	10,800	12,137
Miscellaneous	-	-	-	-	-
Total receipts	81,332	1,416	108	10,834	93,690
Disbursements:					
Operating:					
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Health and social services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Community and economic developmen	-	-	-	-	-
General government	-	-	-	-	-
Debt Service	-	96,175	49,190	143,868	289,233
Capital projects	-	-	-	-	-
Total disbursements	-	96,175	49,190	143,868	289,233
Excess (deficiency) of receipts over (under) disbursements	81,332	(94,759)	(49,082)	(133,034)	(195,543)
Other financing sources:					
Operating transfers in/(out)	(81,113)	87,175	39,190	151,360	196,612
Loan proceeds	-	-	-	-	-
	(81,113)	87,175	39,190	151,360	196,612
Net change in cash balances	219	(7,584)	(9,892)	18,326	1,069
Cash balances beginning of year	2,646	45,017	65,073	9,692	122,428
Cash balances end of year	\$ 2,865	37,433	55,181	28,018	123,497
Cash Basis Fund Balances					
Restricted for debt service	\$ 2,865	37,433	55,181	28,018	123,497
Total cash basis fund balances	\$ 2,865	37,433	55,181	28,018	123,497

See accompanying independent auditor's report

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds - Capital Projects Funds

As of and for the year ended June 30, 2014

	Equipment Replacement	Storm Recovery	Community Building/ Park	Total
Receipts:				
Property tax	\$ -	-	-	-
Tax increment financing	-	-	-	-
Other city tax	-	-	-	-
Licenses and permits	-	-	-	-
Use of money and property	100	31	123	254
Intergovernmental	-	-	7,500	7,500
Charges for services	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	142,457	142,457
Total receipts	100	31	150,080	150,211
Disbursements:				
Operating:				
Public safety	-	-	-	-
Public works	-	-	-	-
Health and social services	-	-	-	-
Culture and recreation	-	-	-	-
Community and economic development	-	-	-	-
General government	-	-	-	-
Debt Service	-	-	-	-
Capital projects	59,700	668	7,825	68,193
Total disbursements	59,700	668	7,825	68,193
Excess (deficiency) of receipts over (under) disbursements	(59,600)	(637)	142,255	82,018
Other financing sources:				
Operating transfers in/(out)	-	-	-	-
Loan proceeds	-	-	-	-
Net change in cash balances	(59,600)	(637)	142,255	82,018
Cash balances beginning of year	59,631	13,601	-	73,232
Cash balances end of year	\$ 31	12,964	142,255	155,250
Cash Basis Fund Balances				
Committed for capital purchases	\$ -	-	142,255	142,255
Assigned	31	12,964	-	12,995
Total cash basis fund balances	\$ 31	12,964	142,255	155,250

See accompanying independent auditor's report

City of Dysart

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Proprietary Funds

As of and for the year ended June 30, 2014

	Sewer	Project Share	Total
Operating receipts:			
Use of money and property	\$ 344	-	344
Charges for service	87,139	-	87,139
Miscellaneous	-	-	-
Total operating receipts	87,483	-	87,483
Operating disbursements:			
Business type activities	111,973	-	111,973
Total operating disbursements	111,973	-	111,973
Excess (deficiency) of operating receipts over (under) operating disbursements	(24,490)	-	(24,490)
Non-operating receipts (disbursements):			
Miscellaneous	-	-	-
Debt service	-	-	-
Total non-operating receipts (disbursements)	-	-	-
Excess (deficiency) of receipts over (under) disbursements	(24,490)	-	(24,490)
Operating transfers in/(out)	-	-	-
Net change in cash balances	(24,490)	-	(24,490)
Cash balances beginning of year	124,479	93	124,572
Cash balances end of year	\$ 99,989	93	100,082
Cash Basis Fund Balances			
Restricted for other purposes	\$ -	93	93
Unassigned	99,989	-	99,989
Total cash basis fund balances	\$ 99,989	93	100,082

See accompanying independent auditor's report

City of Dysart

Schedule of Indebtedness

Year ended June 30, 2014

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General Obligation Bonds:			
Corporate purpose, Series 2006	September 1, 2006	4.00 - 4.50%	\$ 1,200,000
Corporate purpose, Series 2010	March 2, 2010	2.00 - 3.60%	400,000
Corp. purpose & refunding, Series 20	March 12, 2013	.35 - 2.35%	1,320,000

See accompanying independent auditor's report

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 825,000	-	60,000	765,000	35,675
295,000	-	40,000	255,000	8,690
1,320,000	-	125,000	1,195,000	18,368
<hr/>				
\$ 2,440,000	-	225,000	2,215,000	62,733

City of Dysart

Bond and Note Maturities

June 30, 2014

Year Ending June 30,	General Obligation Bond		General Obligation Bond		General Obligation Bond		
	2006 Infrastructure/Streets		2010 Infrastructure		Corp. Purpose &Refunding Series 201		
	Issued Sept 1, 2006		Issued March 2, 2010		Issued March 12, 2013		
Interest			Interest		Interest		Total
Rates	Amount		Rates	Amount	Rates	Amount	
2015	4.05	65,000	2.50	40,000	0.45	130,000	235,000
2016	4.25	65,000	2.75	40,000	0.60	135,000	240,000
2017	4.25	70,000	3.00	40,000	0.75	135,000	245,000
2018	4.25	70,000	3.20	45,000	0.95	135,000	250,000
2019	4.30	75,000	3.40	45,000	1.10	135,000	255,000
2020	4.35	75,000	3.60	45,000	1.30	140,000	260,000
2021	4.45	80,000		-	1.45	100,000	180,000
2022	4.45	85,000		-	1.90	35,000	120,000
2023	4.50	90,000		-	1.90	40,000	130,000
2024	4.50	90,000		-	1.90	40,000	130,000
2025		-		-	2.35	40,000	40,000
2026		-		-	2.35	40,000	40,000
2027		-		-	2.35	45,000	45,000
2028		-		-	2.35	45,000	45,000
Total	\$	765,000		255,000		1,195,000	2,215,000

See accompanying independent auditor's report

City of Dysart

Schedule of Receipts by Source and Disbursements By Function
All Governmental Funds

	2014	2013	2012	2011	2010
Property tax	\$ 466,300	442,134	426,879	412,527	410,578
Tax increment financing	71,864	85,072	87,129	65,744	65,870
Other city tax	87,884	91,776	108,806	81,979	80,888
Licenses and permits	4,376	5,030	4,674	4,955	2,476
Use of money and property	9,503	11,574	12,778	12,866	16,874
Intergovernmental	156,701	152,583	234,790	139,146	133,092
Charges for service	125,609	127,567	113,022	144,012	130,468
Special assessments	12,137	2,487	43,885	2,131	18,841
Miscellaneous	325,692	95,207	218,624	72,333	77,464
Total	<u>\$ 1,260,066</u>	<u>1,013,430</u>	<u>1,250,587</u>	<u>935,693</u>	<u>936,551</u>
Disbursements:					
Operating:					
Public safety	\$ 633,468	344,976	281,277	279,864	206,347
Public works	102,646	76,714	198,521	127,218	89,943
Health and social services	-	-	-	-	-
Culture and recreation	226,894	207,549	247,952	196,179	185,374
Community and economic development	14,736	15,405	11,631	16,054	17,751
General government	61,585	56,963	71,606	56,772	48,250
Debt service	289,233	985,504	249,189	256,406	236,444
Capital projects	763,466	167,126	455,669	206,914	120,338
Total	<u>\$ 2,092,028</u>	<u>1,854,237</u>	<u>1,515,845</u>	<u>1,139,407</u>	<u>904,447</u>

See accompanying independent auditor's report



James R. Ridihalgh, C.P.A.
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**Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with Government Auditing Standards**

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in the Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Dysart, Iowa, as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 11, 2015. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Dysart's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Dysart's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Dysart's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Dysart's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-A-14 and II-C-14 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as item II-B-14, II-D-14 and II-E-14 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Dysart's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted no immaterial instances of non-compliance or other matters as described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Dysart's Responses to Findings

The City of Dysart's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Dysart's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. According, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Dysart during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Ridihalgh, Fuelling, Snitker, Weber & Co., P.C.

RIDIHALGH, FUELLING, SNITKER, WEBER, & CO., P.C., CPA'S

February 11, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Material weaknesses and significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) The City of Dysart did not expend federal funds in excess of the OMB A-133 Single Audit dollar threshold of \$500,000 for the year ended June 30, 2014.

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-14 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. These incompatible duties can be summarized into four general categories: Custody, Authorization, Record-Keeping and Review. Ideally, separate individuals have control over each of the duties listed within the following areas for the City:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Utilities – billing, collecting, depositing and posting.
- (6) Financial reporting – preparation and reconciling.
- (7) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should continue to review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials.

Response – We will consider this.

Conclusion – Response acknowledged. The City should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

II-B-14 Preparation of Financial Statements – Management is responsible for establishing and maintaining internal controls over financial reporting and procedures related to the fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The City of Dysart does not have an internal control system designed to provide for the preparation of the financial statements, including accompanying footnotes, as required by generally accepted accounting principles. The guidance in Statement of Auditing Standards No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, requires us to communicate this matter to those charged with governance.

As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. The outsourcing of these services is not unusual in an entity of this size.

Recommendation – We realize that obtaining the expertise necessary to prepare the financial statements, including necessary disclosures, in accordance with generally accepted accounting principles can be considered costly and ineffective. However, it is the responsibility of the City's management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response – Management feels that committing the time necessary to remain current on GAAP and GASB reporting requirements and corresponding footnote disclosures would lack benefit in relation to the cost, but will continue evaluating on an ongoing basis. Internal financial statements are prepared monthly for reporting and decision making purposes. The requirements and form of the audited statements are different than the internal needs and change occasionally. Given the size of the organization, it is helpful to rely on the expertise of the auditors to monitor those requirements.

Conclusion – Response accepted.

- II-C-14 Electric Utility Rates – We noted electric utility customers categorized under customer code "A" were being under billed. The error affects approximately 7 customer accounts. The amount under billed for November, 2013 was approximately \$130.

Recommendation – The City should review their utility billing system after each approved rate increase to ensure the correct rates are being reflected and charged to customers. The City may want to consider periodic reviews of utility rates in the billing system to ensure proper billing for utility services.

Response – This was an oversight on the part of management and the utility billing software has been corrected. Rates now correctly reflect the appropriate electric rate.

Conclusion – Response acknowledged.

- II-D-14 Expenditure Invoice – We noted an expenditure that was not supported by a corresponding invoice. While the expenditure appeared to meet public purpose requirements, copies of invoices or other applicable source document(s) should be kept on file to support all City expenditures.

Recommendation – The City should keep a copy of invoices and source documents on file for all expenditures paid.

Response – The City will ensure that all expenditures have an invoice. The expenditure in question was for Club Dysart fireworks, and was a pass-thru expense. The funds were received from Club Dysart prior to issuing the check.

Conclusion – Response acknowledged.

- II-E-14 Timesheets – We noted during our audit that not all employees complete and turn in a timesheet recording hours worked to City management.

Recommendation – The City should require that all employees complete and turn in a timesheet recording hours work for approval each pay period.

Response – The City now requires all employees to provide a time sheet for hours worked.

Conclusion – Response acknowledged.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

Part III: Other Findings Related to Statutory Reporting:

III-A-14 Certified Budget – Disbursements during the year ended June 30, 2014 did not exceed the amounts budgeted in accordance with Chapter 384.20 of the Code of Iowa.

III-B-14 Questionable Disbursements – There were no disbursements noted that do not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

III-C-14 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

III-D-14 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Bret Hennessy, Council Member, Owner of Shamrock Lawn Service	Lawn spraying / trimming	\$ 1,559

In accordance with Chapter 362.5(11) of the Code of Iowa, the transaction does not appear to represent a conflict of interest since the amount is for less than \$2,500.

III-E-14 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

III-F-14 Council Minutes – No transactions were found that we believe should have been approved in the Council minutes but were not.

III-G-14 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy were noted

III-H-14 Financial Condition – The City did not have any funds that had a deficit balance at June 30, 2014.

III-I-14 Tax Increment Financing (TIF) – Chapter 403.19 of the Code of Iowa provides a municipality may certify loans, advances, indebtedness and bonds (indebtedness) to the County Auditor which qualify for reimbursement from incremental property tax. The County Auditor provides for the division of property tax to repay the certified indebtedness and provides available incremental property tax in subsequent fiscal years without further certification by the City until the amount of certified indebtedness is paid.

No instances of non-compliance with the City's TIF funds was noted.

IV-K-13 Urban Renewal Annual Report – The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1 and no exceptions were noted.